

# **MCKESSON**

*Empowering Healthcare*

## **Investor/Analyst Day**

**June 7, 2002**

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**Larry Kurtz**

**Vice President, Investor Relations**

# Disclaimer

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**Safe Harbor Clause**: Some of the information in this presentation may constitute forward-looking statements which are subject to various uncertainties which could cause actual results to differ materially from those projected or implied. These uncertainties are described in the Company's reports and exhibits filed with the Securities and Exchange Commission. Please refer to the statement contained in the disclaimer on the Company's home page, [www.mckesson.com](http://www.mckesson.com), for additional information and details.

# Agenda

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- **Company and Strategy Overview**
- **Financial Review**
- **McKesson Supply Management Overview**
- **Medical-Surgical Distribution**
- **Pharmaceutical Distribution**
- **Automation**
- **Information Solutions**
- **Summary and Q&A**

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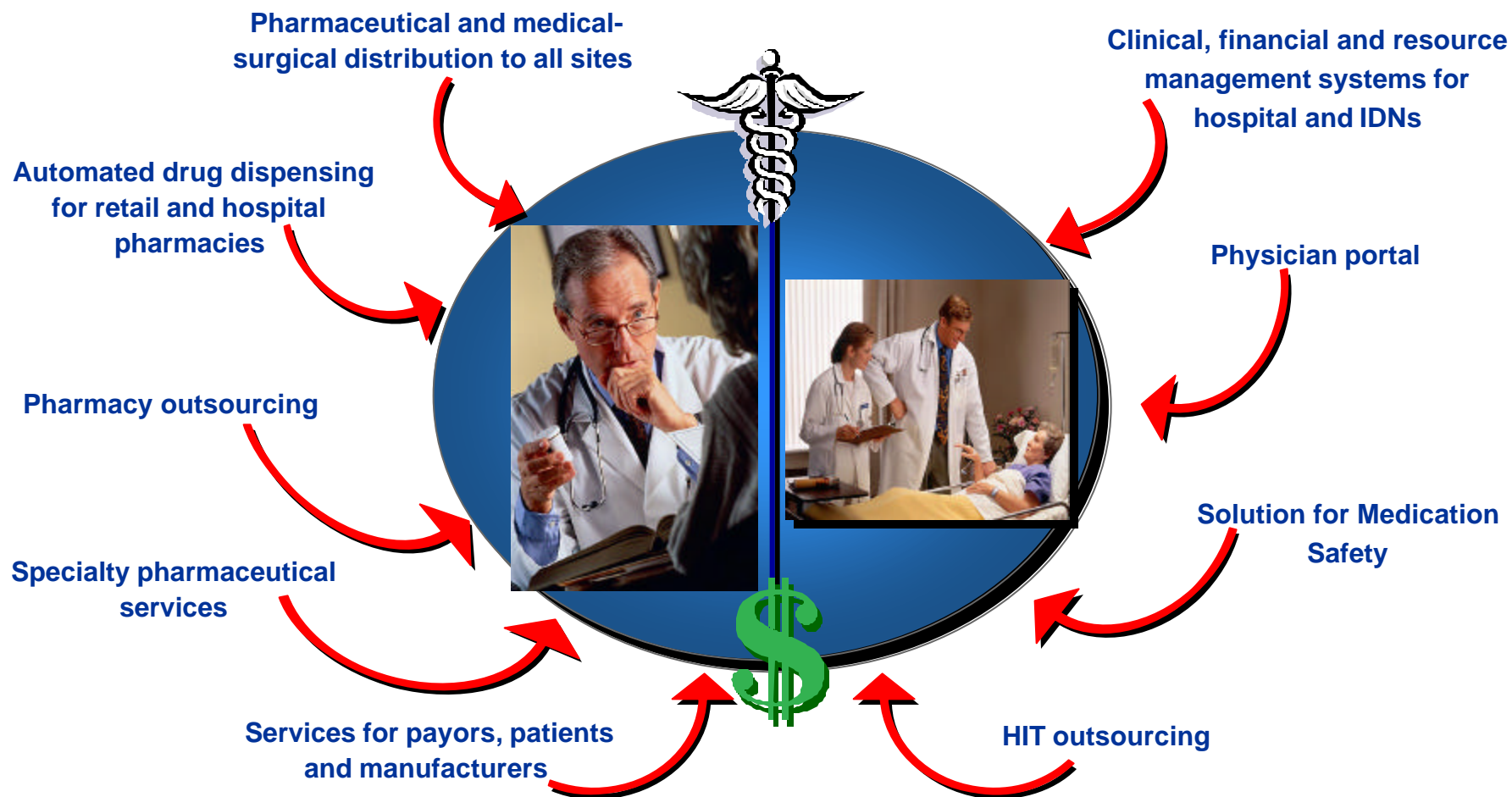
**John H. Hammergren**  
President and CEO

# Healthcare Market Drivers

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- **Aging population drives consumption of drugs, supplies**
- **Influx of new drugs drives specialty services**
- **Cost and consumer pressures drive need for quality**
- **Focus on quality drives adoption of new clinical software**
- **Clinician shortage drives automation, information technology and outsourcing**
- **Med error crisis drives automation/information solutions**
- **HIPAA drives systems standardization and connectivity**

# McKesson Capabilities



**Leader In Solutions To Improve Healthcare Quality**

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INTEGRITY

CUSTOMER-CENTERED

ACCOUNTABILITY

RESPECT

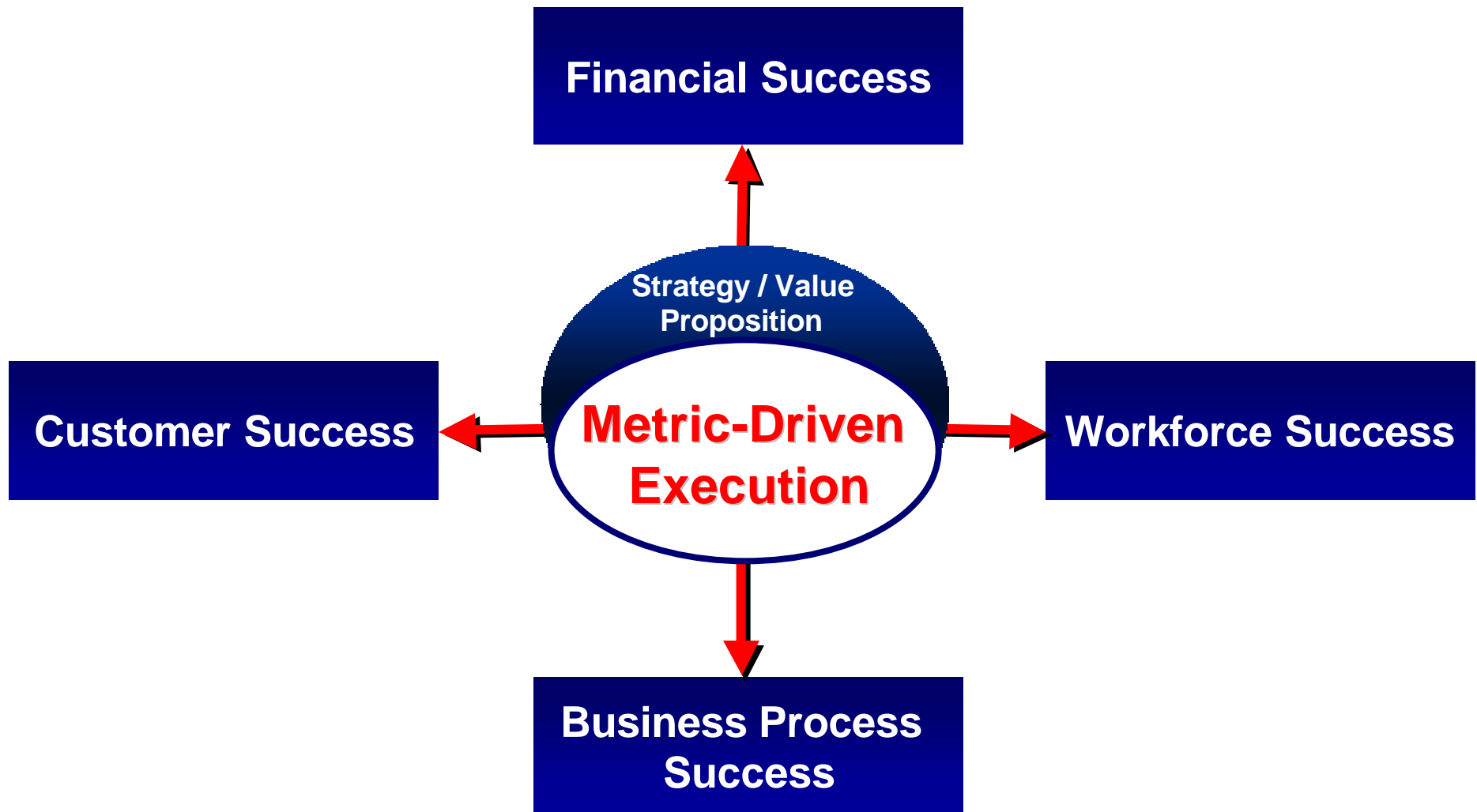
EXCELLENCE

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# Business Scorecard

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# McKesson Financial Performance

## Five Quarters of Earnings Momentum

	<b>FY01*</b>	<b>FY02*</b>			
	<b>Q4</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
<b>Revenue Y-O-Y</b>	<b>17%</b>	<b>16%</b>	<b>19%</b>	<b>20%</b>	<b>16%</b>
<b>Operating Profit Y-O-Y</b>	<b>33%</b>	<b>34%</b>	<b>38%</b>	<b>39%</b>	<b>42%</b>
<b>EPS Y-O-Y</b>	<b>41%</b>	<b>41%</b>	<b>45%</b>	<b>58%</b>	<b>55%</b>

\*All results exclude warehouse sales and special items and include impact of FAS 142

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# Supply Management Goals

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	<b>FY02</b>	<b>FY03 Target</b>
<b>U.S. Pharma Y-O-Y</b>	<b>20%</b>	<b>Low to mid-teens growth, in line with market, adjusted for customer mix</b>
<b>Med-Surg Y-O-Y</b>	<b>1%</b>	<b>Same range as FY02</b>
<b>Canada Y-O-Y</b>	<b>9%</b>	<b>Same range as FY02</b>
<b>Operating Margin Improvement</b>	<b>+16bp</b>	<b>+10bp</b>

# Information Solutions Goals

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	<b>FY02 Target</b>	<b>FY03 Target</b>
<b>Revenues Y-O-Y</b>	<b>+10%</b>	<b>+9-10%</b>
<b>Bookings Y-O-Y</b>		<b>+40%</b>
<b>Operating Margin Ratio Y-O-Y</b>	<b>5.5%</b>	<b>+200-300bp</b>

# Strategic Goals

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## Pharmaceutical Distribution

- Strong market position throughout North America
- Focus on customer value creation and continued margin expansion
- 3-year I.T. plan well underway

## Medical-Supply Distribution

- Well positioned in growth segments
- Focus on operational restructuring to drive quality and margin improvement

## Automation

- Broadest footprint and fully-integrated product offering
- Focus on commercialization of innovative new products
- Enhance cross selling channels with other McKesson business units

## Information Solutions

- Capitalize on largest footprint to drive clinical leadership and revenue growth
- Continued investment in new product development
- Improve operating margins through productivity gains

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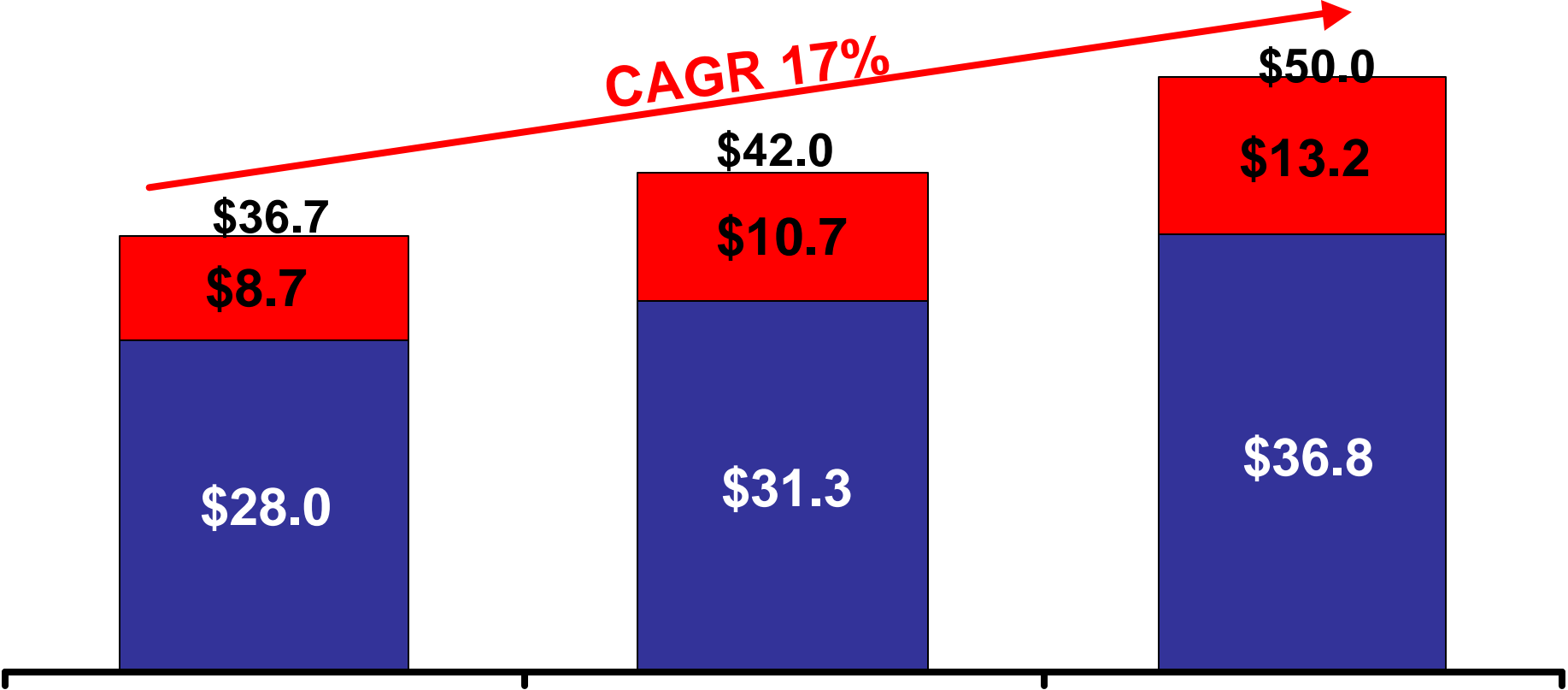
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**Bill Graber**  
CFO

June 7, 2002

# Revenues (\$ in billions)

■ Revenue ■ Warehouse Sales



2000

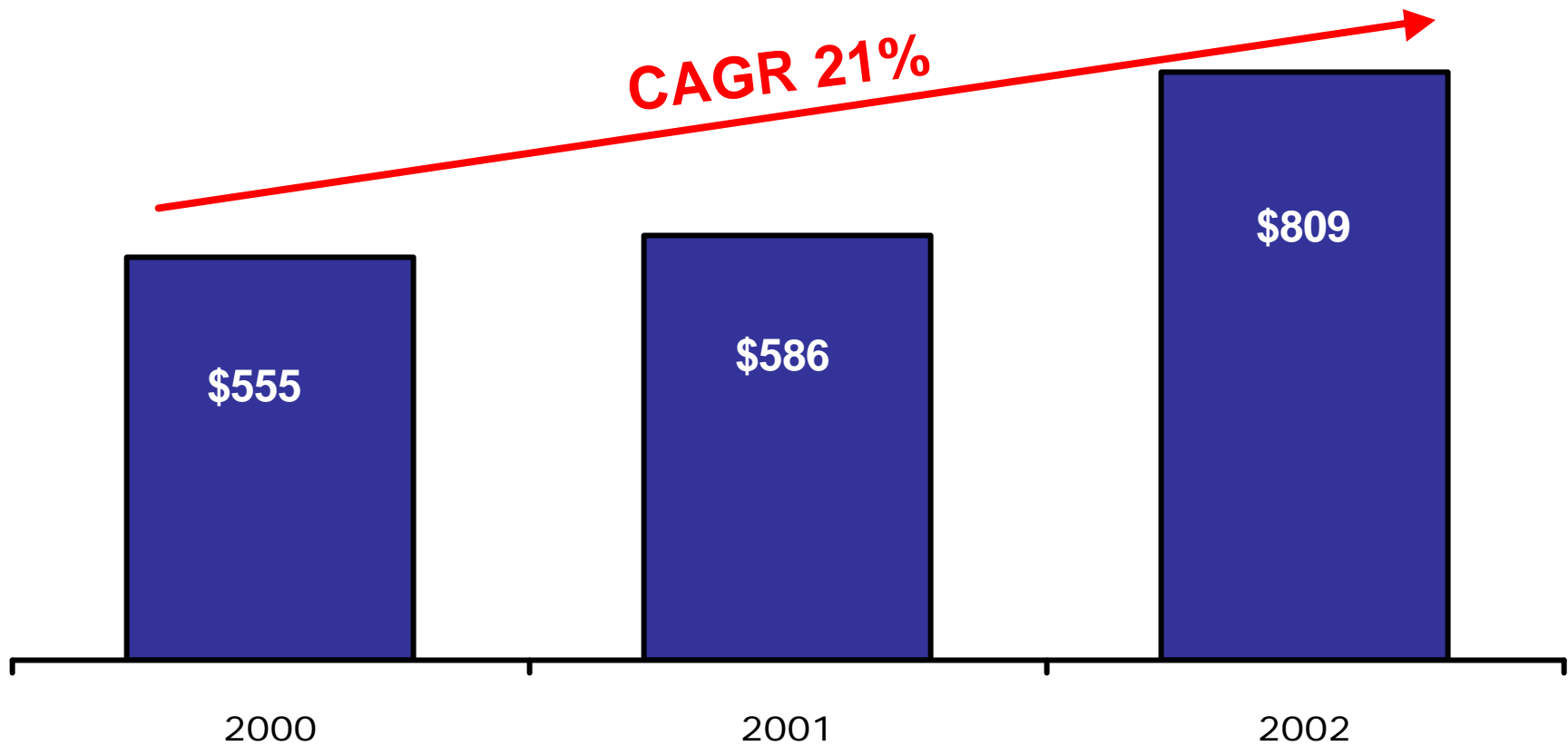
2001

2002

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# EBIT\* (\$ in millions)

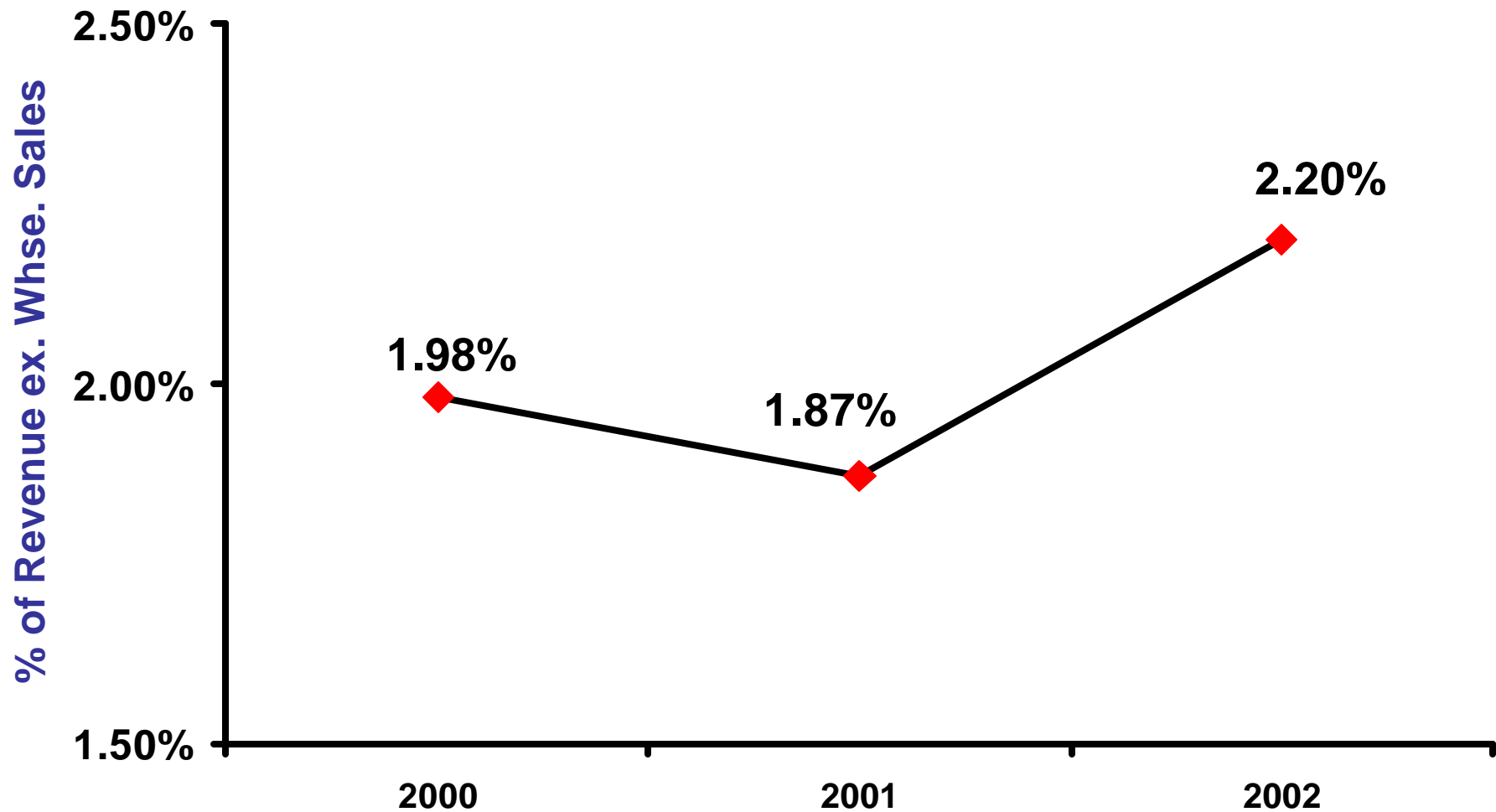


\* Excluding Special Charges

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# EBIT Margin\*

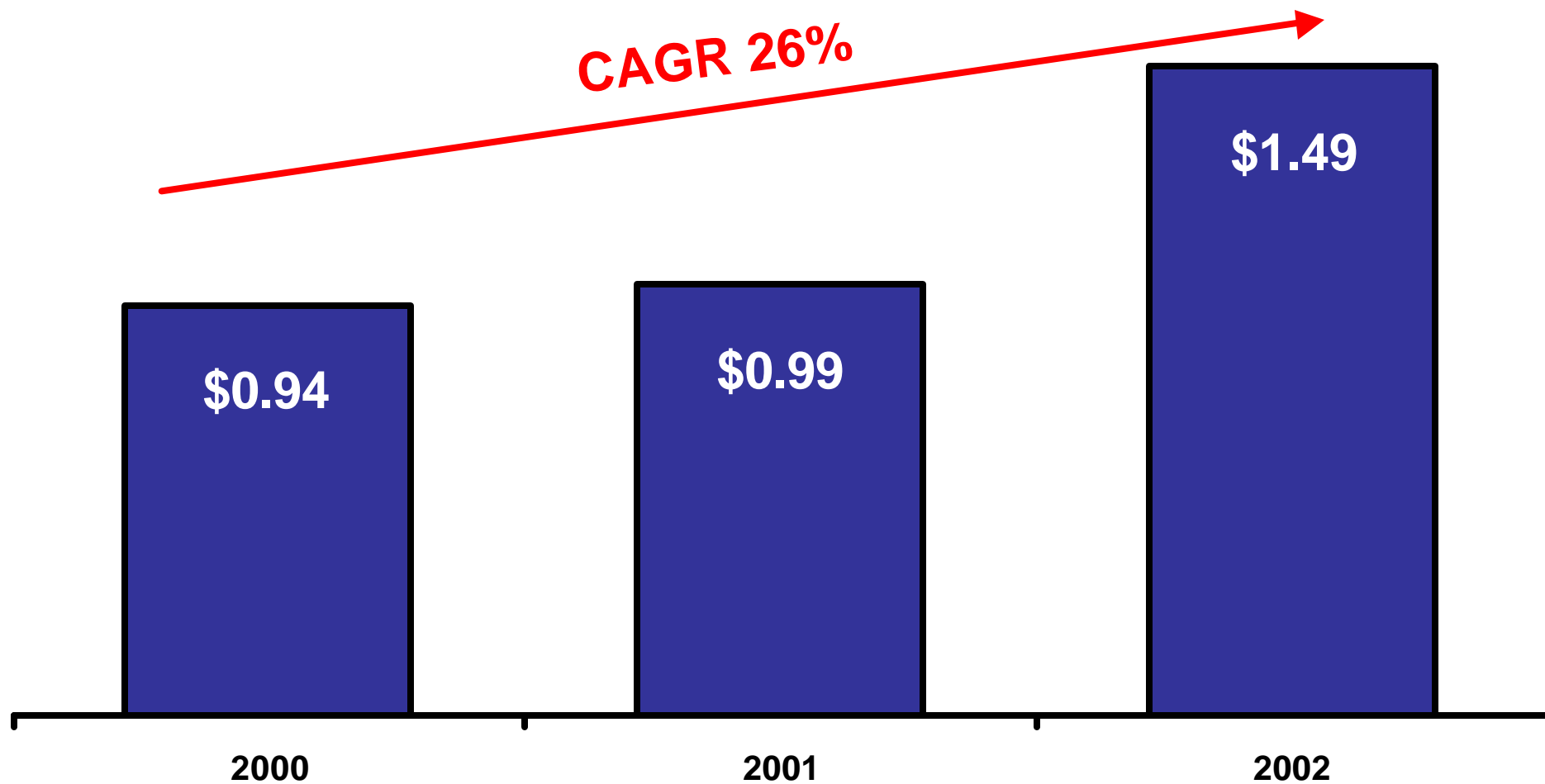


\* Excluding Special Charges

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# EPS\* (Pro Forma)



\* Excluding Special Charges

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# Balance Sheets

(\$ in billions)

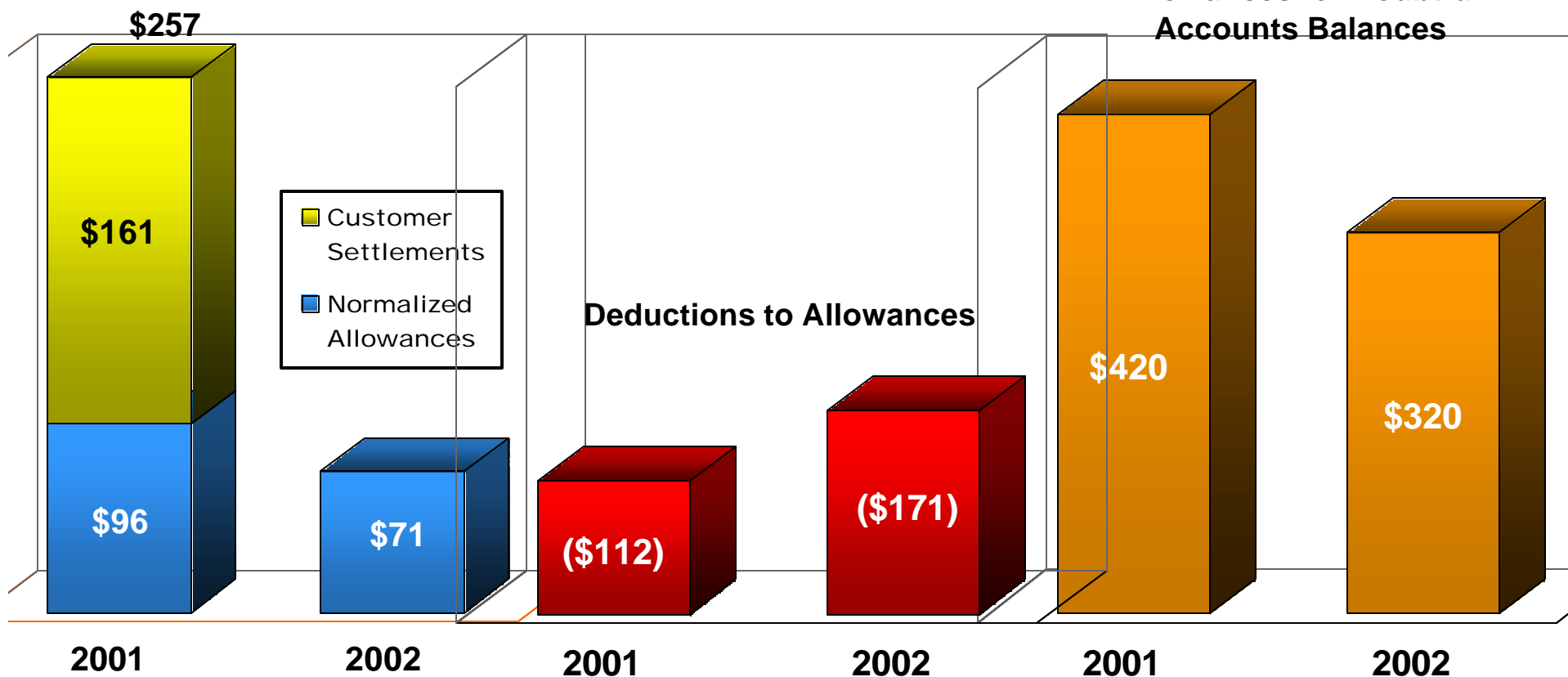
	2000	2001	2002
Receivables	\$3.0	\$3.4	\$4.0
Inventory	4.1	5.1	6.0
Other Assets	2.6	2.5	2.7
Total	\$9.8	\$11.1	\$12.8
Payables	(3.9)	(5.4)	(6.3)
Other Liabilities	(1.5)	(1.2)	(1.4)
Net Capital Employed	\$4.4	\$4.5	\$5.0
Net Debt	0.7	0.8	0.9
Equity & Pref. Securities	3.8	3.7	4.1
Net Capital Employed	\$4.4	\$4.5	\$5.0
Net Debt/Net Capital	14.8%	17.5%	17.3%
Long-Term Debt	\$1.3	\$1.2	\$1.4

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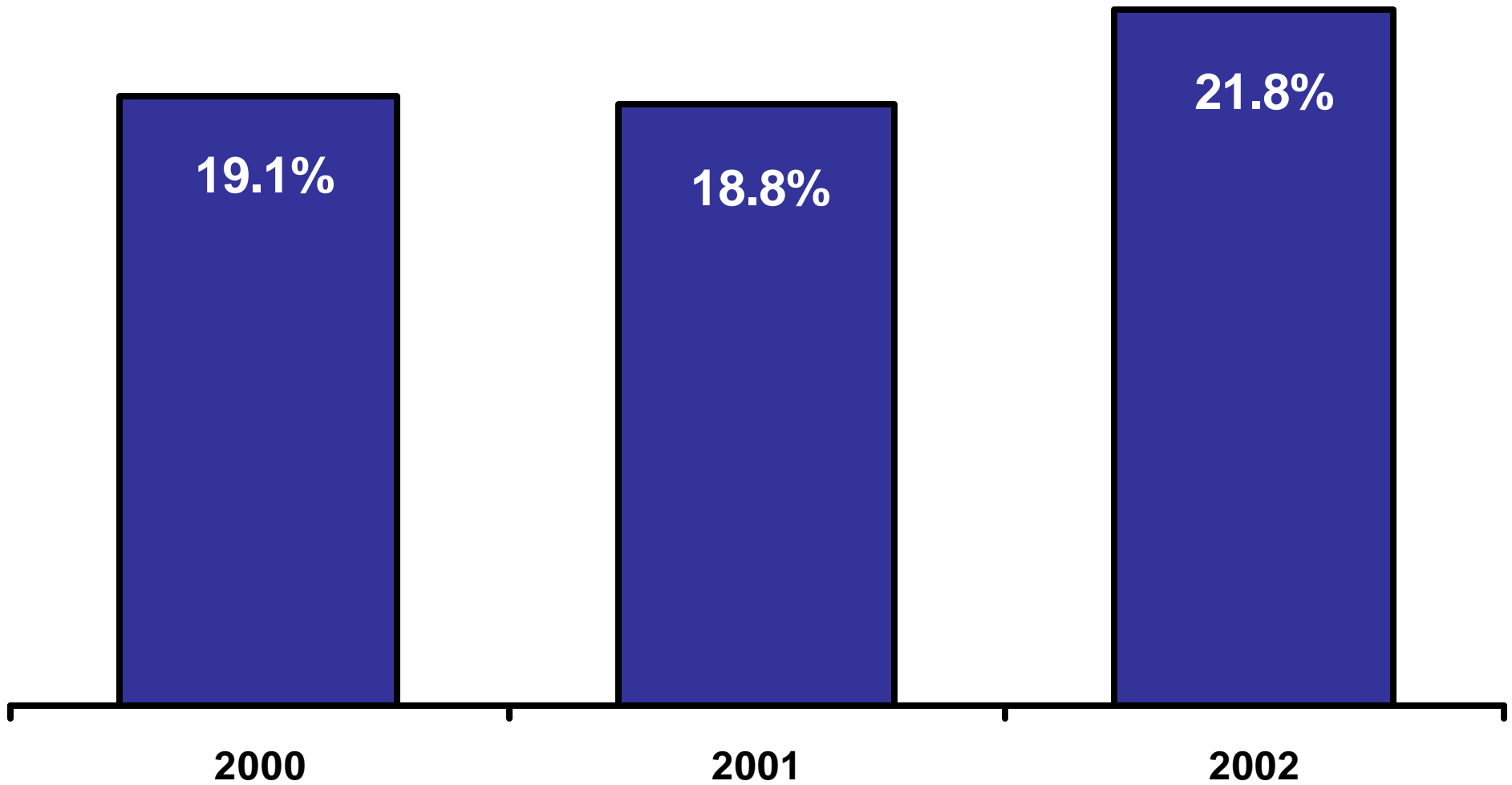
# Receivables

P&L Impact of Additional Allowances



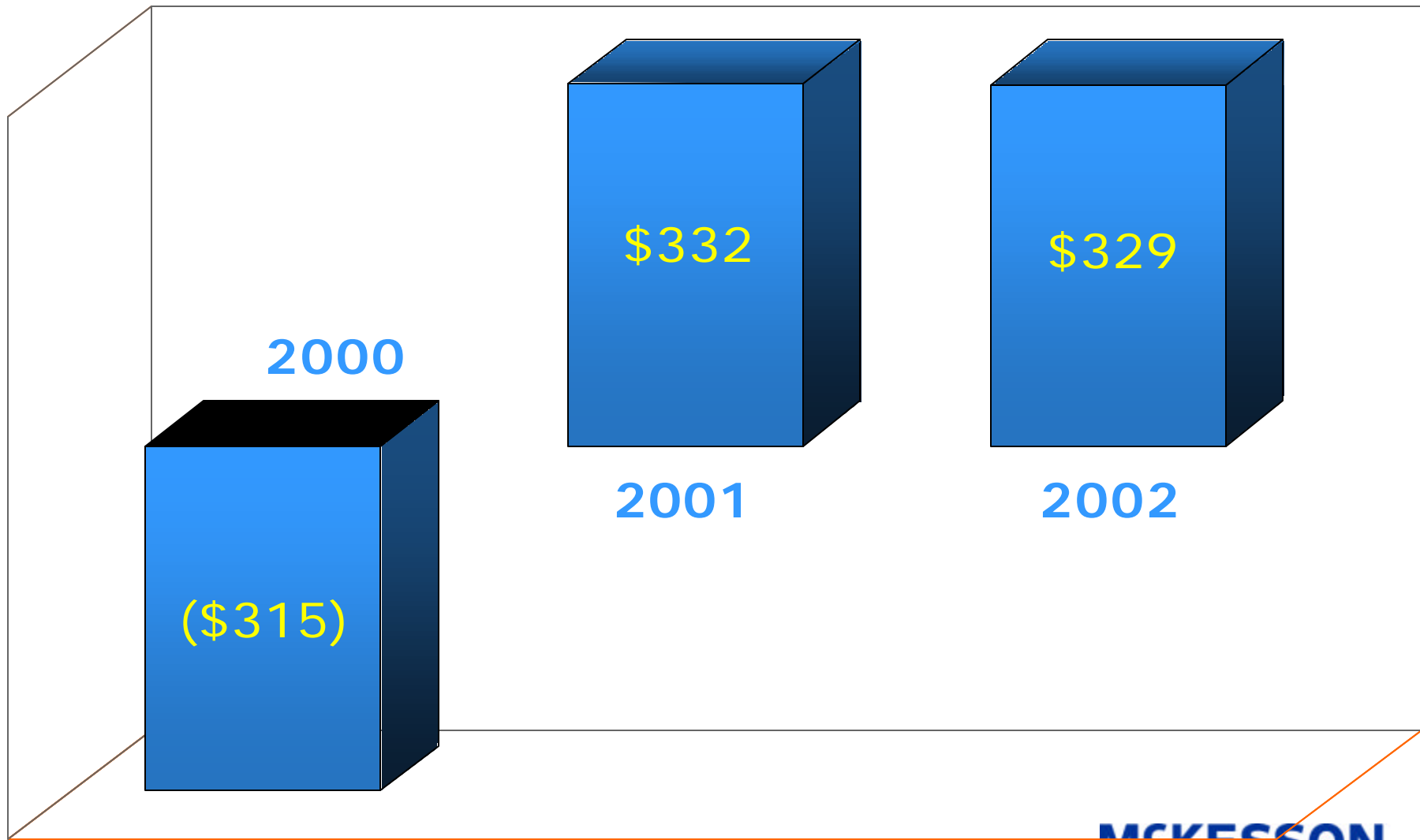
# ROCC\*

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\* Excluding Special Charges

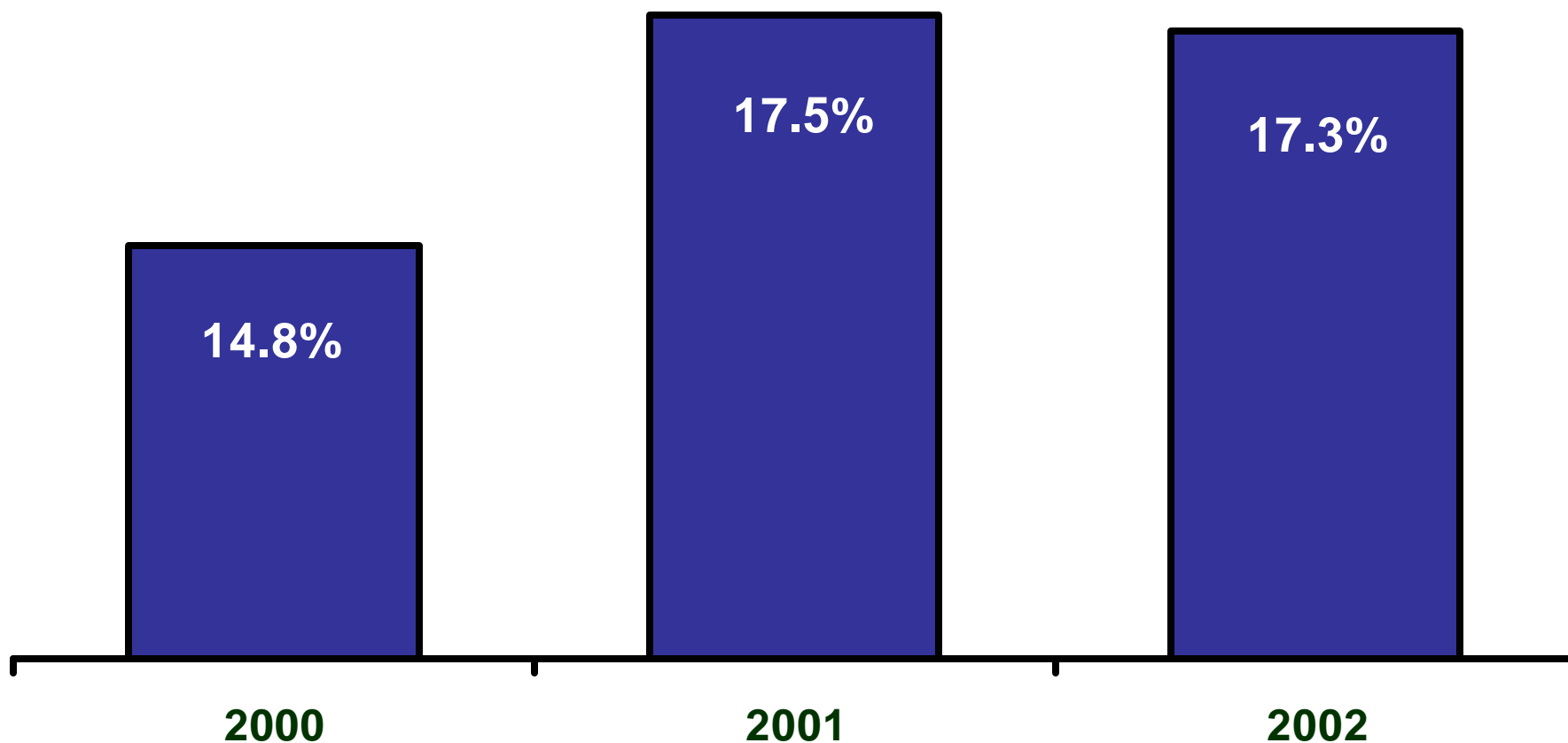
# Operating Cash Flow (*\$ in millions*)



# Liquidity

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■ Net Debt/Net Capital Employed



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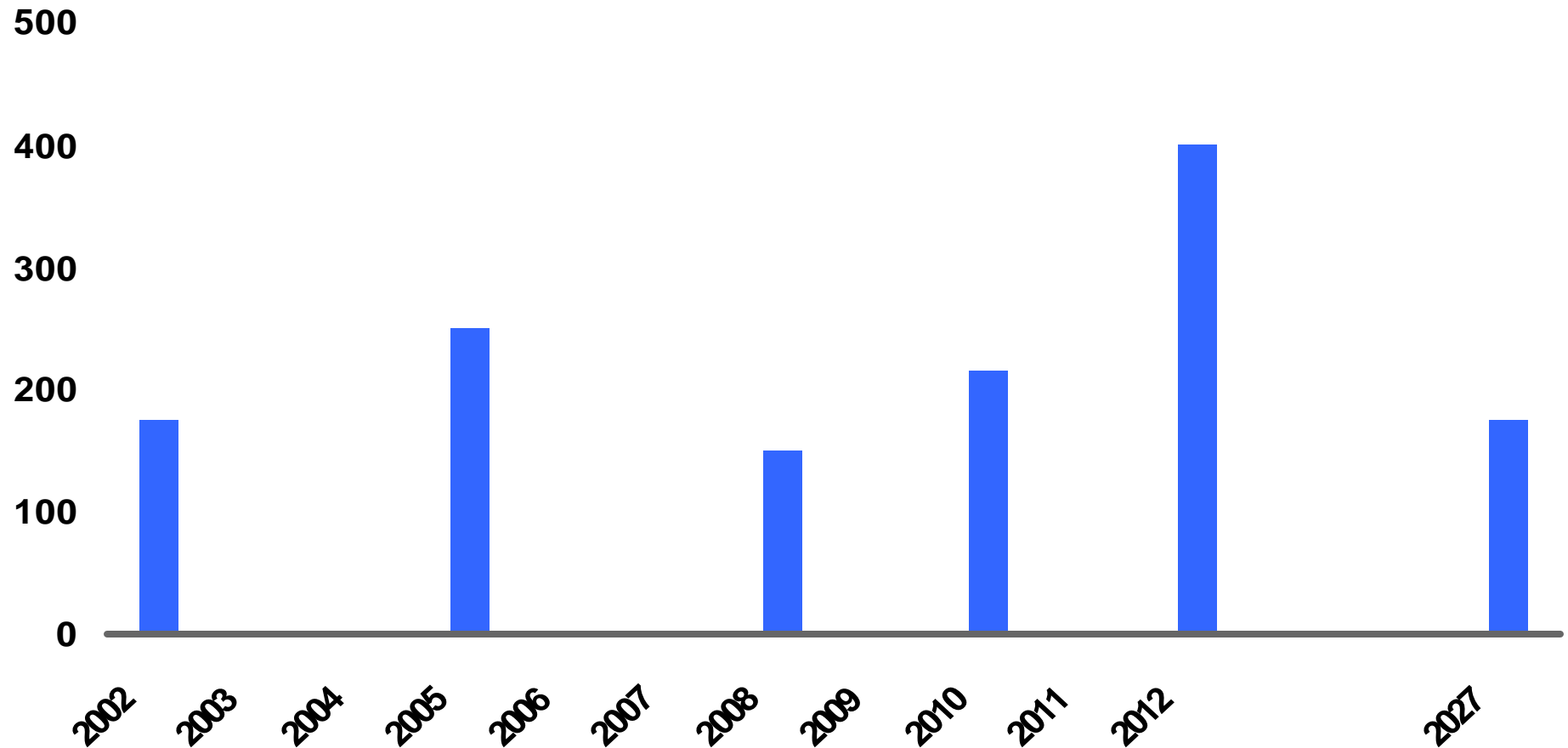
# Credit Facilities *(\$ in millions)*

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	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>
Ratings	BBB	BBB	BBB
Credit Facilities			
- 364 Day	\$875	\$825	\$1,075
- 5 Year	400	400	400
- A/R Sales	\$750	\$850	\$850
Total Credit Capacity	<u>\$2,025</u>	<u>\$2,075</u>	<u>\$2,325</u>

# Debt Maturity Schedule

(\$ Millions)



# McKesson Relative Valuation

## *Industry Trading Below Historical*

<i>Valuation Trends</i>	<u>P/E Ratio</u>	
	<u>2002<sup>1</sup></u>	<u>1994-2001<sup>2</sup></u>
McKesson	20.7	14.2-30.2
AmerisourceBergen	22.9	14.3-22.4
Cardinal Health	22.0	20.6-30.7
Cerner	37.8	n/a
S&P 500	31.2	15.5-29.2

1. Based on Calendar 2002 EPS consensus First Call estimate

2. Based on Calendar 1994-2001 forward EPS

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# Summary

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- **Excellent Financial Performance**
- **Solid Balance Sheet**
- **Well Positioned for Future Improvement**